

## Midterm Examination

In Class: Answer any three. Take-Home: Answer any five

### General Questions on Economic Growth

1. Outline the main components of the Classical (Smith/Malthus) growth theory. Why was this system so pessimistic? What were the model's limitations and strengths?
2. The Marxian Model is based on a number of key assumptions. What are these and how might changing several alter the outcome of the model? In actuality what historical developments have tended to invalidate the Marxian forecasts?
3. The Schumpeterian model attempts to show how capitalist societies grow and evolve over time. What are the key elements in this model and how do they result in the gradual erosion of capitalistic institutions.
4. Briefly outline Rostow's stage theory of growth. What appear to be the strong points? The weaknesses?
5. Chapter 7 (Theories of Development) outlines the main approaches used to explain how economies grow and mature. Briefly outline those approaches you feel are most useful. The least useful. On what basis do you make these distinctions?
6. Briefly summarize the workings of the neoclassical growth model (for example as in Gold and Ruffin, What Determines Growth?). What are the advantages of this approach? The disadvantages? How does the endogenous growth theory attempt to overcome these limitations?
7. Robert Barro has attempted to quantify the impact on growth of certain key institutional/policy variables. What are these and what are his main findings?

### Alternative Approaches

8. What are the main arguments made by environmental determinists? Do you agree with their approach? Why or why not?
9. What are some of the main themes of the cultural determinism approach? Does this appear to be a useful framework for examining and explaining development issues? Why or why not?
10. Following Higgins what are the main issues surrounding colonialism and the backwash effects of foreign trade? What appear to be the strengths of this approach? The weaknesses?

### Questions Based on the Text

11. Gillis et al note (Chapter 3) that there are some features of the development process that are common to all countries. Several approaches have been used to analyze the manner in which growth rates differ from country to country. What are these approaches? Their main strengths? Weaknesses?

12. Outline the role of fiscal policy in the development process (chapter 13, Gillis). What are some of the more controversial issues in this area?

13. What contributions can the financial system make to a country's development (chapter 14, Gillis)? Outline the advantages and disadvantages of using inflation to mobilize resources.

14. Gillis et al (Chapter 7) note that the main thrust of economists' approach to sustainability is that, within a single country, properly working (efficient) markets can be the most effective mechanism to promote efficient resource use, reduce environmental degradation and generate sustainable development. What is the basis of this argument? Do you agree? Why or why not?

15. Gillis et al (Chapter 15) examine several issues surrounding foreign investment. What appear to be the main advantages of this capital transfer? The disadvantages? How do these compare with the other types of capital flow discussed in Chapter 15?

16. Based on Gillis et al (Chapter 12), write a brief essay on savings and capital formation. What are their role in development? The controversies surrounding their impact on growth? Factors affecting saving rates and the mobilization of savings?

### Country Studies

17. What factors appear to account for China's recent growth performance (Why is China Growing so Fast?). Do you see this growth continuing? Why or why not?

18. What were Krugman's (The Myth of Asia's Miracle) main findings concerning the pattern of growth in East Asia. What implications do you draw from his analysis?

19. Outline the economic factors leading to the collapse of the Soviet Union (What We Can Learn from the Soviet Collapse). What policy lessons can we derive from this experience?

20. Briefly outline the main assumptions used by Kellogg to assess the options open to the former Soviet Union in the late 1980s. What seems to be the

### Development Strategies/Dualism

21. Higgins outlines the main components of the Lewis and Fei-Ranis models. Briefly outline the main assumptions of these models and the way a successful completion would occur over time. What insights do they provide to the understanding of economic growth in the developing countries?

22. Myint has developed a model of economic development often referred to as

"Organizational Dualism." Briefly outline the main assumptions underlying this approach. Do you feel this model provides insights that other dualistic models overlook? Why or why not?

23. A classic debate in the literature surrounds the choice of a development strategy. Briefly summarize the debate between those advocating unbalanced growth with those supporting a balanced approach to development. What are the key assumptions in each strategy? Which do you feel is most appropriate? Why?

24. Over the years, the Lewis Model has been extended by a number of writers. Briefly outline Thweatt's approach. What insights does this extension provide?

#### Financial Resources for Growth

25. Foreign aid has had a controversial history. Briefly outline the argument made by those who would advocate expanded aid programs? Those who would end this form of capital transfer. What are several success stories? Failures?

26. Anne Krueger assesses the roles of the World Bank and International Monetary Fund (IMF). What are her main arguments? Do you find them compelling? Why or why not?

27. Ross Levene summarizes the role that financial institutions play in the growth and development process. What are his main findings and conclusions concerning these institutions?

28. Capital Flows and associated speculative currency attacks are becoming a major problem for many emerging economies. As defined by the IMF, what are the main issues here? The options open to countries?

29. Peter Bauer and Basil Yamey have been the most persistent critics of foreign aid. What are their main arguments? Do you agree or disagree? Why?

30. In the mid-1970s the United Nations issued a major study (the Leontief Report) which identified the main impediments to bridging the gap between the rich and poor countries. What were the main areas examined and the general findings for each?

31. Anne Kruger, outlines the main arguments often made by the World Bank for aid in the development process. What are these arguments and do you feel they have merit? Why or why not?

#### Issues in Growth and Development

32. The literature has been increasingly focused on the economic problems associated with corruption. What are some of the adverse affects stemming from corruption? The policy issues surrounding this problem.

33. Theodore Schultz was given a Nobel Prize for his work in economic development. Many of his ideas were brought together in his "The Economics of Being Poor." What does he feel are some of the main mistakes made by economists in this area? Where

would he place more emphasis in policies designed to improve living standards?

34. Defense expenditures often play a complex role in affecting the growth of developing countries. Using the case of Pakistan outline the manner in which defense expenditures might be sustained without causing significant damage to the domestic economy.

35. Bruton's early (1970) paper on import substitution outlines many of the problems associated with this development strategy. Why are some of these problems and are they inevitable consequences of this approach?

36. Bruton's 1989 paper on import substitution contrasts the experience of three countries, South Korea, Brazil and India. Characterize the strategy adopted by each country? What were the advantage and disadvantage of each approach? Can we conclude anything from these case studies as to the best strategy to implement import substitution?

37. Bruton's last (1998) survey of import substitution contrasts this strategy with the outward oriented approach. What are his main conclusions concerning the merits of each strategy? The problems associated with each?

38. Bruton's early views on import substitution were formed from the results of an empirical study on Latin America (Productivity and Growth in Latin America). What were his main findings? How did he feel the process of import substitution affected the overall patterns of growth? What were the policy implications of his findings?

39. Briefly summarize the views of Raul Prebisch. What appear to be the strengths of his analysis? The limitations?

#### Human Resources

40. Briefly summarize the main findings of George Psacharopoulos concerning the returns to education. What are some of the main conceptual issues surrounding this type of measurement? What policy implications do you draw from his analysis?

41. Carrington and Detragiache examine the extent of the Brain Drain. What are some of the problems associated with the data? What are their main findings? The policy implications?

42. Following Psacharopoulos (Education and Development: A Review) what are the main educational strategies open to developing countries? The issues that surround each?

#### Mineral Economies

43 The mineral economies seem to have a unique structure and face a common set of economic problems (World Bank Study). What are some of the ways in which these countries differ from non-mineral economies? The policy implications? What policy reforms appear necessary in improving the performance of these economies.

44. Expropriation is a long-standing problem in the mineral economies. Following Jones, what are some of the main indicators that could be used to anticipate if and when expropriation might occur?

45. Stephen Lewis identifies many of the forces at work in mineral economies which lead them away from progress toward sustained growth. What are these forces and how might they be modified by policy makers in these countries?

46. A major problem in many mineral economies is the development of wage and technological dualism. How does Tidrick model these factors in his study of Jamaica. What are the main policy implications of his findings?

#### Africa

47. Bloom and Sachs present a detailed assessment of economic growth in Africa. What are the main patterns identified by them? The explanations used to account for these patterns? Their interpretation? The policy conclusions?

48. What are the main elements in the IMF's recent assessment of Africa (Africa: Is this the turning point?). What do you feel are the most critical policy areas the African countries must focus on in order to sustain their recent economic successes?

49. What factors appear to have caused Sub-Saharan Africa's marginalization in world trade? What policy reforms would you suggest to alter the situation?

50. The countries of Sub-Saharan Africa are capital deficient. What do you feel are the most promising strategies open to these countries enabling them to attract increased flows of private capital?

#### Middle East

51 According to Alan Richards, what are the main problems facing the Middle Eastern economies? What advice did the Washington Consensus give these countries? Why have they delayed implementing many of the Consensus programs?

52. Vahan Zanyan is pessimistic over the prospects of the Gulf countries. What factors underlie his assessment? Do you agree with his analysis? Why or Why not?

53. The IMF notes that globalization—the intensification of international trade and finance linkages underpinned by economic liberalization and technological change presents both challenges and opportunities to Arab countries. What are the issues here and what recommendations does the IMF make for these countries? Does their advice appear sound? Why or why not?

54. Recently the IMF undertook a major study of equity markets in the Middle East. What were their main findings? The policy implications?

55. Kanovsky has observed that "achieving prosperity in the Middle East is dependent primarily on the removal of internal social and economic obstacles. The Oslo agreements can contribute little or nothing towards the removal of the impediments

to economic growth and prosperity. They may have engendered false expectations and dangerous disappointments". How does he come to this conclusion? Do you agree or disagree? Why?

56. J. Amuzegar examination of the impact of US sanctions on the Iranian economy concludes that while the regime may survive enhanced sanctions, the economy is not likely to prosper without American and Western support. On what does he base this conclusion? Do you agree or disagree? Why or why not?

57. Outline Amuzegar's assessment of OPEC (OPEC as Omen). How does he see this organization faring in the future? Do you agree with his assessment? Why or why not?

### East Asia

58. What factors do Radlett and Sachs feel was responsible for the Asian crisis? How does this assessment differ from that put forth by the IMF? What are the policy implications of their findings?

59. The IMF feels the Japanese economy needs a number of structural changes to restore growth. According to the Fund, what are the main problems facing the country and where re does change appear most needed?

60. The East Asian countries were considered a model of success for many years. Following Stiglitz, what were some of the lessons learned from their growth experience.

61. S. Sharma (Asia's Economic Crisis and the IMF) traces the Fund's involvement in the Asian Crisis. Briefly outline the Fund's diagnosis of the region's problems and the programs they proposed to deal with the difficulties facing these countries.

62. Before the Asian Crisis the IMF published a brief study (Growth in East Asia: What We Can and Cannot Infer) on the growth patterns in these countries. What were the Fund's main findings in this study? Their policy implications?

63. The IMF has expressed concern over the likely social impact of the economic crisis in Asia and the reform programs in three key countries: Indonesia, Korea and Thailand. What social policies measures are being adopted? If necessary, what are some of the cost-effective and efficient alternatives for expanding social safety nets.

### Latin America

64. Edwards notes that the (Mexican) peso crisis was a wake-up call for Latin America with political leaders realizing their support will erode if the economies of the region do not turn around. What does he feel these countries need to do to reform their economies and restore rapid growth?

65. Mamalakis contends that absolute poverty and relative inequality have persisted in Latin America as a result of mutually reinforcing forces and patterns. What are these elements and how do they interact to create the problems he describes? What are the main policy implications of his analysis?

66. The United Nations Economic Commission for Latin America and Caribbean has noted that the Asian Crisis has provided some useful lessons for improving economic performance in the region. What are the Commission's main findings and the policy prescriptions they suggest? Do you find the Commission's arguments convincing? Why or why not?

67. Kaminsky and Reinhart provide an interesting comparison of financial crisis in Asia and Latin America. What appear to be the main components of these financial crisis? The difference in patterns in the two regions?

68. Franko (De facto Militarization in Latin America) argues that placing global ceilings on military spending in Latin America is not a good policy? What are her arguments? Do you find them convincing? Why or why Not?

#### Eastern Europe/Transition Economies

69. Briefly describe the main components of Russia's virtual economy. How does this economy function? Its advantages? Disadvantages?

70. Patrick Lenan has compiled a progress report on the transition economies. According to him how much progress has been made? Work to be done? Prospects for the future.

71. Exeter also considers progress in the transition economies. As he sees it progress so far has comprised two distinct phases. What are these and what appear to be the main factors that will affect the future growth of these countries?

72. Write a brief essay of Azerbaijan's oil boom and the measures that need to be taken to assure that country will achieve sustained economic growth.

73. What are the main lessons cited by Vernon (Constructing a Market Economy). What are the implications for the transition economies?

74. Michael Ellman notes that certain lessons have been learned from the transition economies. What were they and what are some of the dangers that lie ahead for these countries?

75. Kleinknecht and Wengel question the commonly held view that the European economies are experiencing a process of increasing globalization. What do they see happening and how do they back up their arguments?

#### Western Europe

76. Bergsten would like to see increased cooperation between the United States and Europe. Along these lines, what steps and initiatives does he feel would be most effective in this regard. Do you agree? Why or why not?

77. Briefly assess the main points made by William Wallace (Misunderstanding Europe). Do you agree with his assessment? Why or why not?

78. Martin Feldstein is concerned over the effects the Euro may have. What are these

and do you feel his arguments convincing? Why or why not?

79. Based on the economist's survey of Germany, write a brief essay on the problems facing that country.

80. What are some of the challenges (Economic Policy Challenges Facing the Euro Area and the External Implications of EMU) the IMF sees facing the Euro area? Which appear the most serious? Why?